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BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Application Number: 09/610,828
Filing Date: July 06, 2000
Appellant(s): MCCRAKEN ET AL.

David Feigenbaum
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed November 7, 2006, appealing from the Office action mailed June 30, 2006.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

No amendment after final has been filed.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

20020143673 A1 HITCHINGS et al. 10-2002

Ward, J.M., "An Overview of Limited Liability Companies," The Practical Real Estate Lawyer, March 1993, Vol. 9, No. 2, p. 61.

Moreau, D., "Quick Study: Total Return," Kiplinger's Personal Finance Magazine, Vol. 49, No. 1, p. 111.

Anon., "Halifax Account Wrangle" (Abstract), Financial Times, p. IV, December 7, 1991.

Novack, J., "The Taming of the Code," Forbes, p. 280, June 12, 2000.

Nichols, P., "Fidelity Lauds Stratus' Faithful Computing" (Abstract), Wall Street Computer Review, Vol. 5, No. 2, pp. 52-58, November 1987.

Anon., "ASA Knocks Instant Access," Bank Marketing International, No. 90, p. 5, March 1998.

Basara et al., "Taking Care of No. 1: Financial Planning," Drug Topics, Vol. 139, No. 9, p. 68, May 8, 1995.

Anon., "PUTNAM COS: Putnam's New Average Cost Basis Statement to Make Shareholder Job Easier at Tax Time," Business Wire, April 2, 1991.

Anon., "Technology Review," Pension World, Vol. 29, No. 9, p. 37, September 1993.

Schwartzman, S., "Fidelity's Formula: Technology Keeps Customers Happy," Wall Street Computer Review, Vol. 8, No. 10, p. 27, July 1991.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

Claims 1-15 and 26-28

Claims 1-7, 9-15 and 26-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. As per claim 1, Ward discloses acquiring one or more properties from one or more investors in exchange for an interest in an investment entity, and discloses tax advantages of such investment entities (LLC's). Ward does not expressly disclose acquiring real properties from investors, but does disclose that limited liability corporations, the focus of his article, "offer an ideal alternative to other forms of business entities for real estate investments," and "are ideally suited for many real estate investments" (Abstract), making it obvious for the properties acquired, exchanged, etc., to be real properties. Hitchings discloses using a machine to (e)

identify properties appropriate for disposition (Abstract; paragraphs 3-5 and 11-17); and exchanging at least one of the identified properties that falls outside of an investment profile for at least one other property in a tax-advantaged exchange (Abstract; paragraphs 3-5 and 11-17). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to identify properties appropriate for disposition, and exchange at least one such property that falls outside of an investment profile for at least one other property in a tax-advantaged exchange, for the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy, and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges.

Ward does not disclose using a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions, but this is what mutual funds and other investment vehicles do, as taught, for example, by Moreau. Moreau teaches mutual funds paying dividends and capital gains distributions, which implies tracking each investor's basis in his interest in the investment entity (mutual fund), to know how much to pay or distribute to which investor. Moreau discloses capital gains distributions, "your share of the profits on the stock trades inside the fund," which implies allocating each investor's basis in his interest in the various stocks traded inside

the fund, to determine the appropriate capital gains (or losses) to be allocated to each investor as the result of a succession of transactions (stock trades). Moreau does not expressly disclose carrying out these steps using a computer, but does disclose a fund figuring total return with the help of a computer; it is hard to believe that a fund would use a computer for this, but not for tracking the various investors' bases in the fund, and the dividends and capital gains distributions due to them. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to use a machine to carry out these steps, for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc., and for the obvious advantage of not having to employ large numbers of scriveners to make the necessary calculations on paper with quill pens.

Ward does not expressly disclose enhancing the value of at least one of the properties by physical improvements and redeeming an interest of at least one of the investors in an investment entity at a value based on the current value, but official notice is taken that it is well known for managers/developers to routinely enhance the value of property by physical improvements, and well known to redeem an interest of at least one of the investors in an investment entity at a value based on the current value (e.g., this is what investors in mutual funds routinely do, as implied in the final paragraph of Moreau's article). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the value of at least one of the properties by physical improvements, for the obvious advantage of profiting from higher

rents and/or selling prices; and to redeem an interest of at least one of the investors in an investment entity at a value based on the current value, for the obvious advantage of redeeming at an appropriate value. (If investors were not able to redeem their interests, or not able to do so unless at a value far below the current value, not reflecting profits made by the investment entity, they would be reluctant to invest in the first place; if investors were able to redeem their investments at a value above the current value [not reflecting losses of the investment entity, perhaps], they would tend to do so eagerly, until the investment entity became bankrupt from unsustainable redemptions.)

As per claims 2, 3, 4, and 11, official notice is taken that income-producing real estate, inner-city residential properties, and distressed properties are well known categories of real estate, in which it is well known to invest (and in which Ward expressly discloses investing; see Abstract). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the investment profile to comprise any of these categories, for the obvious advantage of profiting from the collection of rent upon, or the profitable sale of, these well-known categories of real estate.

As per claims 5 and 6, official notice is taken that it is well known to invest preferably in underpriced properties, if one can find them; much analysis of the stock market and other potential investments comprises searching for underpriced properties. Properties for which a purchase price for an individual property divided by a total rent obtained from such property is low relative to other properties located in a surrounding area (as per claim 5), and residential rental properties for which rents are below market

for a neighborhood proximate to such properties (as per claim 6) are properties which may well be underpriced (unless they are properties which have things wrong with them). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the investment profile to comprise such properties, for the obvious advantage of investing in properties likely to be especially profitable.

As per claim 7, Ward discloses that an investor can make a tax-advantaged contribution of property in exchange for an interest in the investment entity (see under "CAPITAL CONTRIBUTION" for contribution of property, and under ""CONTRIBUTIONS OF APPRECIATED PROPERTY" and "TAX ADVANTAGES OF PARTNERSHIPS" for tax advantages).

As per claim 9, official notice is taken that it is well known for physical improvements to comprise refurbishment. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the physical improvements to comprise refurbishment, for the obvious advantage of obtaining higher rents and/or selling prices for refurbished properties.

As per claim 10, official notice is taken that attempting to enhance the value of property by improved management is well known. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to enhance the property value by improved management, for the obvious advantage of profiting from eliminating waste, conducting operations more cheaply and effectively, etc.

Claims 12 and 13 recite limitations essentially parallel to those of claims 6 and 5 (in that order); claims 14 and 15 recite limitations essentially parallel to those of claims 6 and 5 (in that order). Therefore, claims 12-15 are rejected on the grounds set forth above with regard to claims 5 and 6.

As per claim 26, Ward does not expressly disclose that the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions are based on the current value, but official notice is taken that it is well known for the values of interests (e.g., shares of stock or similar) exchanged for other property to be based on a current value (which, after all, would normally reflect expected future values). The alternative, for the values of interests in the investment entity to bear no relation to a current value, is implausible, because it would involve investors parting with their property in return for interests of random value, apparently without concern for the actual value, or the managers and shareholders of the investment entity parting with interests in their investment entity without concern for their value. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the values of interests in the investment entity that are exchanged for properties of investors through tax-advantaged transactions to be based on the current value, for the obvious advantage of not entering into grossly unfavorable or absurd exchanges.

As per claim 27, official notice is taken that it is well known for the redeeming of interests by investors to occur at times determined at least in part by the investors, as, for example, when an investor sells shares of stock, shares in a mutual fund, real estate

that an investor puts up for sale, etc. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redeeming of interests by investors to occur at times determined at least in part by the investors, for the obvious advantage of enabling the investors to obtain money or property in return for their interests when they were in need of such money or property, and because an investment entity which did not let investors redeem interests at times determined at least in part by the investors would be likely to experience difficulties in finding investors to start with.

As per claim 28, Ward discloses that the investment entity comprises a limited liability company (throughout).

Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 1 above, and further in view of the anonymous article, "Halifax Account Wrangle." Ward does not disclose that the redemption of interests of investors is limited at any one time to a predetermined portion of a value of the properties held by the investment entity, but it is well known to limit the amounts of investments which can be redeemed at any one time, as taught, for example, by "Halifax Account Wrangle." Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention for the redemption of interests of investors to be limited at any one time to a predetermined portion of a value of the properties held by the investment entity, for the obvious advantage of not requiring the investment entity to liquidate properties overhastily, with likely consequent losses.

Claims 16-25

Claims 16-22, 24, and 25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), and official notice. Claim 16 is essentially parallel to claim 1 (which does not expressly recite a management entity, but such an entity is inherent from the disclosed actions, which constitute management); further, Ward discloses a management entity ("OPERATING AGREEMENT," "MANAGEMENT PROVISIONS," etc.). Also, official notice is taken that it is well known to record and analyze investments; any sort of investment entity run with very minimal competence does this, and it is typically done with the use of a machine (computer). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to record and analyze investments held by the investment entity, for the obvious advantage of being able to judge successes and failures, modify plans, file tax returns and other required government reports, pay investors their due, etc.

Ward does not expressly disclose analyzing other properties within the investment profile for possible investment by means of tax-advantaged transactions, but official notice is taken that it is well known to analyze properties for possible investment, including analysis of tax advantages, etc. (this a is large part of what mutual funds, investment firms, mutual funds, REIT's, insurance companies, etc. do). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to analyze other properties within the investment profile for possible

investment by means of tax-advantaged transactions, for the obvious advantages of finding good properties to invest in, and avoiding investments likely to be unprofitable.

Claims 17, 18, 19, 20, 21, and 22 are essentially parallel to claims 2, 3, 4, 5, 6, and 7, respectively, and rejected on the grounds set forth above for those claims.

As per claim 24, Ward discloses that the management entity can be the same as the investment entity (see sections headed "MANAGER or MANGERS [*sic*]" and "MANAGEMENT PROVISIONS").

As per claim 25, Ward discloses that the investment entity can receive cash contributions (see section headed "CAPITAL CONTRIBUTION").

Claim 23 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward, Hitchings, Moreau, and official notice as applied to claim 16 above, and further in view of the anonymous article, "Halifax Account Wrangle." Claim 23 is closely parallel to claim 8, and rejected on the grounds set forth above for that claim.

Claim 29

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), Moreau ("Quick Study: Total Return"), the anonymous article, "Halifax Account Wrangle," and official notice. Claim 29 is essentially parallel to claim 1 with claims 8 and 26 included, and rejected on essentially the same grounds set forth above with regard to those claims. Claim 1 does not recite defining an investment profile, but official notice is taken that this is well known; prospectuses for mutual funds, REIT's, etc., typically define and set forth their

investment profiles. Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to define an investment profile, for the obvious advantages of attracting investors, and providing some protection from complaints and lawsuits in the event of investing according to the profile turning sour. Ward is not explicit that properties are acquired and interests redeemed at a succession of different times, but official notice is taken that this is well known (mutual funds, REIT's, and other entities typically acquire properties and let investors redeem interests at a succession of different times). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to do these things at a succession of different times, for the obvious advantage of acquiring properties as the properties, and/or funds with which to buy them, became available, and redeeming interests as convenient to the investors and/or the investment entity.

(10) Response to Argument

The question is whether it would have been obvious to modify the disclosure of Ward regarding limited liability companies (LLC's), based on the other prior art of record, and well-known facts of which official notice has been taken, to arrive at the invention claimed by Appellant. Examiner's grounds for rejection are set forth above; Appellant has made arguments for why it should not have been considered obvious, which Examiner will now address. Examiner maintains that it would have been obvious to carry out standard business practices as part of the method which Appellant seeks to patent.

First, Appellant argues that certain features of claim 1 are not to be found anywhere in any prior art reference, in particular, "at least one of the real properties being acquired from one of the investors in exchange for an interest in an investment entity," and "(d) from time to time determine[ing] a current value of an interest in the investment entity based on characteristics of the one or more real properties held by the investment entity." Examiner replies, as to the first point, that Ward states in the Abstract that limited liability companies are ideally suited for real estate investments, and writes (under the heading "CONTRIBUTIONS OF APPRECIATED PROPERTY," "Unlike an S corporation shareholder, a member of an LLC is allowed to contribute appreciated property to an LLC in exchange for a membership interest without having to recognize gain on the transfer"). Thus, Ward discloses acquiring property from at least one investor in exchange for an interest in an investment entity, while the Abstract is at least strongly suggestive of the property being real estate.

As to the second point, Examiner took official notice that it is well known to redeem an interest of at least one of the investors in an investment entity at a value based on the current value, giving as an example that this is what investors in mutual funds routinely do, as implied in the final paragraph of Moreau's article. And, of course, in order to redeem such an interest, it is necessary to calculate its value, as is done by mutual funds, whose daily values at the close of business are determined based on the properties they hold (typically stocks and other financial assets).

Appellant argues that Examiner failed to even allege that Ward discloses what is recited in claim 1, namely that the properties are acquired from investors via tax

advantaged *transactions*, although Examiner did allege that Ward discloses tax advantages of LLC's, and as cited above, Ward expressly discloses that "a member of an LLC is allowed to contribute appreciated property to an LLC in exchange for a membership interest without having to recognize gain on the transfer." Not having to pay capital gains tax on such a transfer makes the transfer a tax-advantaged transaction, in addition to the other advantages of holding property in an LLC. Examiner further relied on Hitchings, and, contrary to Appellant's statement on page 6 of the Appeal Brief, Examiner identified where in Hitchings the teaching of tax-advantaged transactions can be found (Abstract; paragraphs 3-5 and 11-17).

Appellant reiterates that Examiner acknowledges that Ward "does not expressly disclose acquiring real properties from investors," and then Examiner "fails to identify" any reference indicating that an investor might contribute real property "in exchange for [his] interest in an investment entity." Examiner reiterates that no secondary reference for this point was necessary, because Ward discloses both acquiring property from investors in exchange for a membership interest, and LLC's investing in real estate. These two teachings would establish a *prima facie* case to consider it obvious for LLC's to acquire real properties from investors if they came from two different references describing LLC's; because they come from different paragraphs in the same source, they fall just short of anticipation.

Next, Appellant argues that Examiner does not identify any reference disclosing that the current value of an interest is based on characteristics of the one or more real properties held by the investment entity, and further argues that the analogy to mutual

funds, as taught by Moreau, is inapplicable, "because real properties do not have established values that enable trivially calculating portfolio values." Examiner replies that while the values of real properties cannot be established as readily and precisely as the values of shares of stock traded on a major exchange, but the values of real properties nonetheless can be and are established. Assessors routinely assess real properties for tax purposes; banks typically demand appraisals of the values of real properties before they will approve mortgages. It is not plausible, and Appellant has not maintained, that shares in LLC's or real estate investment trusts (REIT's) would trade at prices bearing no relation to the values of the real properties they owned. Were such a situation to exist, it would present an opportunity for shrewd investors to get rich by buying interests in LLC's or REIT's which owned real estate valued at more than the sums of the LLC or REIT shares, while dumping shares in overvalued LLC's or REIT's, whose underlying real estate values were much less the market values of their shares. Soon, share prices would reflect underlying real property values (modified to some extent by other considerations, such as management competence), and further opportunities for such windfall profits would be scarce.

Real estate values can be assessed based on the sale prices of comparable properties, the costs of construction, the rental income received after deducting the costs of maintenance and repair, and similar considerations. Granted that there are complications – the price of one share of IBM stock is just the same as that of another share of IBM stock, while the price at which one office building could be sold may, for various reasons, differ from the price at which a similar office building two blocks away

changed hands – such real estate values can normally be determined at least within a range narrow enough to be useful.

Appellant further argues that Examiner has relied on impermissible hindsight reasoning, and merely stated that the combinations of other prior art references, or facts of which official notice was taken, to reconstruct the features of claim 1, provide "obvious advantages," and without proffering any evidence that any pair of features, let alone all of them, would have been suggested or motivated by the prior art, or that the allegedly obvious advantages of doing so were recognized by anyone prior to Appellant.

Examiner replies that it is not plausible to believe – and Appellant does not allege – that Appellant was the first to use a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions. Examiner not only cited a secondary reference (Moreau), but set forth reasons why the combination should be considered obvious, "for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc., and for the obvious advantage of not having to employ large numbers of scriveners to make the necessary calculations on paper with quill pens." If Ward does not expressly disclose LLC's using machines (computers) for these purposes, it may well be, not that Appellant was the first to do such a thing, but that Ward's article was written for real estate lawyers, tax accountants, etc., rather than for computer spreadsheet writers. It may also be that

Ward regarded use of a computer in carrying out such business processes, as too obvious to require specific explanation. Even if, *ad arguendo*, previous LLC's actually did employ large numbers of scriveners to make the necessary calculations on paper with quill pens, or at least with ballpoint pens, the teachings of Moreau and other references are held to constitute analogous art, reasonably pertinent to the problem with which the instant applicant was concerned, and therefore to constitute a proper basis for rejecting the claimed invention, as per *In re Oetiker*, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992).

Appellant next turns to independent claim 16, arguing that there are additional reasons why claim 16 should be considered nonobvious, the first of them being that claim 16 explicitly refers to the investment entity as one that is "for exchanging properties through tax-advantaged transactions." Examiner replies that this is not very different from what is recited in claim 1, and reiterates what he has previously argued regarding the teachings of Ward and Hitchings.

Secondly, Appellant argues that claim 16 distinguishes over claim 1 by reciting that the investment profile comprises "a disciplined portfolio approach that uses diversification and contingent risk management." Examiner replies that claim 1 recites an investment profile, and various claims dependent on claim 1 recite particular features of the investment profile (claims 2, 3, 4, 5, 11, 12, 13, 14, and 15). Applying the methods of any of these in a disciplined manner would make the investment profile a disciplined portfolio approach, and buying properties in different parts of town, which could be a consequence of investing in multiple properties, would be using

diversification; or simply applying the techniques recited in several of dependent claims 2, 3, 4, 5, 11, 12, 13, 14, and 15, could be described as using diversification and contingent risk management. If claim 1 and (at least some of) its dependents are obvious, then so is claim 16.

Thirdly, Appellant argues that claim 16 recites an entity "to actively enhance real properties held by the investment entity by means of physical improvements, refurbishment and management efficiencies." Appellant writes that the Examiner has failed to address this feature other than by stating that similar language in claims 9 and 10 is well known and obvious. Examiner replies that in rejecting claims 9 and 10 (dependent on claim 1), Examiner set forth reasons why these should be considered obvious, refurbishment "for the obvious advantage of obtaining higher rents and/or selling prices for refurbished properties," and improved management "for the obvious advantage of profiting from eliminating waste, conducting operations more cheaply and effectively, etc." Furthermore, Appellant does not dispute that it is well known to refurbish properties, or to attempt to improvement management efficiency. Almost anyone who has strolled through various neighborhoods has had opportunity to see properties being refurbished, something so notoriously well known that it would require explanation why LLC's such as Ward discloses would uniformly not attempt to refurbish their properties. Similarly, anyone who follows the business news, or is minimally familiar with business operations, would be familiar with the idea of attempting to improve management of businesses and property. (Of course, not all attempts to improve management succeed, but Appellant has not described and claimed a method

for determining just how to improve management, and carrying it out; Appellant merely recites enhancing real properties by management efficiencies, which Examiner reads as being boilerplate for which one could find parallel language in a large number of press releases, business news articles, etc.)

Fourthly, Appellant notes that claim 16 refers to a plan of redemption of interests of investors. Examiner replies that, as noted in the rejection of claim 1, if investors were not able to redeem their interests, they would be reluctant to invest in the first place. Thus, one can presume that there would be some plan or provision for the redemption of interests of investors. One cannot be certain just what the plan would be, but claim 16 does not recite what the plan would be, merely that there would be some plan.

Fifthly, Appellant argues that Examiner has not described any motivation or suggestion for combining features of claim 16, other than "hindsight-based 'obvious advantages.'" Examiner replies that proper statements of motivation were made in combining prior art references to reject claim 1, as Examiner has already argued in regard to claim 1, and also that proper statements of motivation were given in the rejections of claims 9 and 10. Examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, making more money is a famous and notoriously strong motive for those in business,

and one of ordinary skill in the art of finance would surely have been aware, as knowledge generally available, that it would be desirable to obtain higher rents and/or selling prices for properties, and that it would be desirable to eliminate waste, conduct operations more cheaply and efficiently, or otherwise profit from improved management.

With regard to independent claim 29, Examiner does not dispute that claim 29 differs from claim 1, but Examiner noted that the elements of claim 29 essentially match to claim 1 with claims 8 and 26 included. Appellant criticizes the lack of actual references other than official notice for the additional recitations of claim 29, but does not challenge the accuracy of the facts of which official notice was taken. It would, after all, be implausible to maintain that Appellant was the inventor of defining an investment profile, when it is officially noticed prospectuses for mutual funds, REIT's, etc., typically define and set forth their investment profiles. Likewise, Appellant cannot well claim to be the inventor of having properties be acquired and interests redeemed at a succession of different times, when official notice is taken that this is well known (mutual funds, REIT's, and other entities typically acquire properties and let investors redeem interests at a succession of different times). Furthermore, Examiner sets forth motivations which – to reiterate what the previous paragraph says in regard to features of claim 16 -- would have been obvious based on the knowledge generally available to one of ordinary skill in the art.

Appellant further argues that Examiner has given no basis for the existence of the feature of reducing "the need to divest real depressed values to fund the redemptions." Examiner replies that this is not a method stop, but merely a motivation

for the recited method step of controlling the rate of redemptions of interests. The fact that Appellant has recognized another advantage which would flow naturally from following the suggestion of the prior art cannot be the basis for patentability when the differences would otherwise be obvious. See *Ex parte Obiaya*, 227 USPQ 58, 60 (Bd. Pat. App. & Inter. 1985).

Regarding claims 2 and 17; and then claims 3 and 18; 4 and 19; claims 5, 13, 15, and 20; claims 6, 12, 14, and 21; 7 and 22; claim 9; claim 10; claim 11; claim 24; claim 25; claim 26; claim 27; and claim 28, Appellant makes no substantial new arguments, but primarily argues that the alleged allowability of the independent claims would make these claims allowable as well. (Regarding claim 28, Appellant writes, "The examiner does not explain how the existence of limited liability companies would make it obvious to use one as the investment entity of claim 1, nor does he identify any other reference that does so." Examiner replies that because Ward discloses, "Limited liability companies (LLC) offer an ideal alternative to the other forms of business entities for real estate investments" (first sentence of the Abstract), no explanation or secondary reference is required.) Regarding claims 8 and 23, Appellant does present an additional argument, that the "Halifax Account Wrangle" abstract teaches limiting the amount that may be withdrawn in a month, rather than "predetermined portion of a value of the real properties." Examiner replies that an amount invested in an investment entity investing in real estate inherently constitutes a portion of a value of the real properties.

For the reasons set forth above in Response to Appellant's arguments, and the reasons set forth in the rejections, it is believed that a prima facie case of obviousness has been established, and that the rejections should be sustained.

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

Nicholas D. Rosen
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